

CHAPTER VI

COLLECTIONS

COMPONENTS

INTRODUCTION

COMPUTED MEASURES

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The Collections function consists of efforts to assist employers to comply with state laws and regulations, promote voluntary payment compliance, collect past due amounts from employers, and manage accounts receivable. The major tasks are:

Take action to collect past due payments

Suspend collection efforts on uncollectible amounts

PRIMARY OBJECTIVE

The primary objective of Collections is to promote payment compliance and manage accounts receivable. To accomplish this objective, Collections will need to meet two sub-objectives:

1. Increase the percentage of amounts due paid voluntarily (Completeness)
2. Take all reasonable actions to manage accounts receivable (Timeliness and Completeness)

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***Timeliness
and
Completeness***

To assess state effectiveness in managing accounts receivable, Computed Measures will be generated based on data routinely reported by states. These elements will be converted into indicators by the TPS ADP system.

To determine whether the state is taking all reasonable actions to collect accounts receivable, a Program Review will be conducted to ascertain the existence of necessary internal controls and to determine whether or not such controls are functioning properly.

REVIEW METHODOLOGIES

Computed Measures

Computed Measures will provide indicators of state effectiveness in promoting payment compliance and management of accounts receivable. Indicators measuring contributory employers will also be used to measure reimbursing employers:

1. Percent of amounts due paid timely
2. Receivables declared uncollectible and/or ruled doubtful - The percent of tax due declared uncollectible and/or ruled doubtful
3. Accounts receivable at the end of the report period as a percent of tax due

REVIEW METHODOLOGIES

Program Review

The Program Review to be conducted for Collections has two components - a Systems Review and an Acceptance Sample.

The Systems Review covers the following topics:

Recorded Information and Instructions

Training

Recording of Transactions and Events

Execution By Authorized Individuals

Systems to Assure Execution of Events

Review of Completed Work

The Systems Review will be used to identify the internal controls and quality assurance systems necessary for an effective Collections operation and to verify if the State has such controls in place.

The Acceptance Samples examine the following:

Employer Accounts Identified with Accounts Receivable

In conjunction with the Systems Review, Acceptance Samples of completed collection accounts will be examined to confirm that States system of controls is ensuring its established procedures are being followed.

COMPUTED MEASURES

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COMPUTED MEASURES

Computed Measures will provide indicators of state effectiveness in promoting payment compliance and management of accounts receivable. These measures will be generated based on data elements reported by states through routine quarterly reports. The TPS reviewer must ensure that the state ADP system captures these data elements as defined so that the ADP system can produce output reports based on these elements.

Whether the state accumulates the data elements required for Collections computed measures through ADP or manually, it is important that the records be kept from the beginning. The data is gathered from the system used to electronically report the current Form ETA 581 data. Appendix B explains the technical process for gathering this information.

Collection Indicators (Contributory)

The indicators for contributing employers that measure how effective the state is in promoting payment compliance and management of accounts receivable are described below:

1. Percent of amounts due paid timely.
2. Receivables declared uncollectible and/or ruled doubtful - The percent of tax due declared uncollectible and/or ruled doubtful.
3. Accounts receivable at the end of the report period as a percent of tax due.

Collection Indicators (Reimbursing)

The indicators for reimbursing employers that measure how effective the state is in promoting payment compliance and management of accounts receivable are described below:

1. Percent of amounts due paid timely.
2. Receivables declared uncollectible and/or ruled doubtful - The percent of tax due declared uncollectible and/or ruled doubtful.
3. Accounts receivable at the end of the report period as a percent of tax due.

The same computed measures will be used for each type of employer, contributory or reimbursing.

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Indicator 1 - Amounts Paid Timely

(The percent of amounts due that were paid timely)

Rationale. This indicator measures the extent of employer voluntary payment compliance. It is intended to provide a measure of state efforts to promote payment compliance through effective publications/forms, educational programs and/or utilization of enforcement tools. It also reflects the relative magnitude of non-compliance, and provides a perspective of how much risk is involved.

Formula

Amounts Determined Receivable for four (581) report quarters.

Tax Due: Annual dollar Amounts Deposited plus Amounts
Determined Receivable minus Receivables Liquidated.

Example:
$$\frac{1,000,000 \text{ (Determined Receivable)}}{10,000,000 \text{ (Tax Due)}} = 1 - 10\% = 90\%$$

Data Elements.

The Amounts Determined Receivable should result in the four quarter total of amounts reported on ETA 581 #22 for contributory and on ETA 581 #34 for reimbursing. The amount to be included is the amount of unpaid contributions initially determined to be past due during the report quarter based on delinquent contribution reports received, audit findings, legally collectible estimates and final assessments. For reimbursable employers, the amount is the reimbursements initially determined to be past due during the report quarter based on billings to reimbursing employers which are unpaid.

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Tax Due is defined as the annual amounts of dollars deposited (ETA 2112 line 11 for contributory and lines 18, 19, and 20 for reimbursable) plus Amounts Determined Receivable (ETA 581 #22 for contributory, ETA 581 #34 for reimbursing) minus Receivables Liquidated (ETA 581 #23 for contributory, ETA 581 #35 for reimbursing). This formula is recommended because it provides a more consistent and accurate picture year-to-year of amounts actually due than amounts reported as due on ES 202 reports.

Indicator 2 - Receivables Declared Uncollectible.

(Percent of tax due declared uncollectible)

Rationale. While a low percentage of amounts declared uncollectible is desirable, an increasing percentage may also be an important indicator of efforts to perfect accounts receivable inventories and write-off amounts that states have no means of collecting.

Formula

Receivables Declared Uncollectible and/or Ruled Doubtful for four (581) report quarters

Tax Due: Annual dollar Amounts Deposited plus Amounts
Determined Receivable minus Receivables Liquidated.

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Data Elements.

Receivables Declared Uncollectible include all amounts of past due contributions for which the agency is no longer actively seeking collection. Such amounts have been written off or moved to a suspense file and are not included in the active accounts receivable file. The amounts to be included should be the sum of the four quarters reported on ETA 581 #24 for contributory, and ETA 581 #36 for reimbursing. Receivables Ruled Doubtful include all receivables reported on the ETA 581 beyond two years. The amounts to be included should be the sum of the four quarters reported on the ETA 581 #25 for contributory and ETA 581 #37 for reimbursing.

Tax Due was previously defined and should be the same as for Indicator #1.

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Indicator 3 - Unpaid Contributions/Reimbursements Due.

(Percent of accounts receivable at end of the report period to tax due).

Rationale. This indicator provides a measure of overall compliance effectiveness. To equitably assess the effectiveness of state compliance and collection efforts, a comprehensive measure will contain the amount of past due dollars as they relate to the total amount due. Long term trends due to the rise and fall in employment, wage base, and tax rates all impact the size of accounts receivable. While the fluctuations of total amounts due may be outside the state's control, the state is responsible for collecting the proportion of dollars which becomes past due. This measure will indicate the true significance of a state's accounts receivable by showing what proportion of tax is past due. Also, the rise and fall of past due amounts can be better understood when reviewed in relation to the rise and fall of total UI dollars due.

Formula

$$\text{Tax Due: } \frac{\text{Receivable Balance at end of (581) report quarter}}{\text{Annual dollar Amounts Deposited plus Amounts Determined Receivable minus Receivables Liquidated}}$$

Data Elements.

The Receivable Balance is the total amount on the ETA 581 report quarter ended date. The amounts should be the same as reported on ETA 581 #26 for contributory and ETA 581 #38 for reimbursing employers.

Tax Due was previously defined, and should be the same amount as used for Indicators 1 and 2.

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The denominator for all accounts receivable indicators is recommended to be the most recently completed calendar year tax due. The reasons follow:

The same denominator means all accounts receivable indicators are comparable, both within a state as well as across states.

The indicator reports can be generated for any time period but it requires **FOUR (4) quarters**.

"Drift" due to inflation, or the trend of decreasing effective tax rates which reduces the amount of tax due is eliminated.

A more consistent picture of accounts receivable management is provided from year-to-year.

Computations will be made annually by the National Office for each indicator, for both contributory and reimbursable accounts receivable.

Drawing Conclusions.

An analysis of these results will provide an overview of how effectively the state is managing its accounts receivable. Each of the indicators should be examined separately and in relationship to the others. The TPS reviewer will find that a change in one indicator will have a particular effect on another indicator (e.g., is a decrease in accounts receivable the result of an increase in amounts written off or is that change reflected in amounts liquidated). The TPS reviewer will determine from this analysis whether the state is effectively using the collection tools at their disposal (e.g., if the turnover ratio is high does the sample reviewed reflect timely contact of employers, are liens and enforced collection action being utilized?).

Findings or trends from Computed Measures should be considered with Systems Review and Acceptance Sample findings in evaluating the effectiveness of the state's operation and be included in the Annual Report.

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SYSTEMS REVIEW INTERVIEW SHEET

Function	Reviewer
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Persons Interviewed			Documents Reviewed	
Date	Name:	Title:	Title:	Form#:

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SYSTEMS REVIEW

Recorded Information and Instructions

In the State Collections operations, procedures should be set forth for charging/non-charging of penalties, enforced collection actions, stayed collection actions, and declaring accounts uncollectible.



The reviewer should examine recorded instructions available to the staff and compare procedures to the laws and written policies of the State to determine if the recorded information and instructions are current, accurate, and complete. The reviewer should also observe the Collections process and talk with employees to learn whether or not the recorded instructions are available and being used.

In the narrative section following the questions, explain any "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there are no recorded instructions, describe in the narrative how the staff becomes aware of the proper procedures to perform the tasks of the Collections function.

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SYSTEMS REVIEW QUESTIONS

1. Does the State have recorded information and instructions to assist employees to perform Collections functions?

Yes ___ No ___

2. If yes, are all the recorded information and instructions:

Yes No

- a. Current?.....
b. Accurate?
c. Complete?
d. Readily available to staff?.....

VS:(Questions 1 and 2 _____)

3. If any of the preceding evaluative questions are answered "No", does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

VS: (Question 3 _____)

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SYSTEMS REVIEW NARRATIVE

Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
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Question Number	Answers to "If yes, describe" and "Other":
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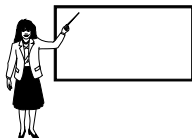
PROGRAM REVIEW

SYSTEMS REVIEW

Training

New employees need to learn the State laws, written policies and procedures for collecting account receivable, suspending collection actions when warranted, and for declaring certain accounts uncollectible. Existing employees benefit from periodic refresher courses, and need additional training when changes occur, and when quality defects or a significant number of errors appear in a particular area.

The reviewer should respond to the following questions after discussing with management the training methods and systems used to identify and meet the Collections unit training needs.



In the narrative section following the questions, explain any "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there are no formal training systems, then describe how the staff knows the laws and written policies and the proper procedures to perform the Collections function.

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SYSTEMS REVIEW QUESTIONS

1. Does the State have methods or procedures to provide training for newly hired employees?
Yes ___ No ___

*If yes, identify the type of training:

Yes No

- a. *Formal Classroom Training?
- b. *On the Job Training?.....
- c. *One-on-One Training?
- d. *Individual Self-guided Training?.....
- e. *Other?.....

Describe the type and frequency of training in the Narrative Section following these questions.

2. Does the State have methods or procedures to provide refresher training for experienced employees?

Yes ___ No ___

*If yes, identify the type of training:

Yes No

- a. *Formal Classroom (e.g., refresher courses)?.....
- b. *On the Job Training?.....
- c. *One-on-One Training?
- d. *Individual Self-guided Training?.....
- e. *Other?.....

Describe the type and frequency of training in the Narrative Section following these questions.

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SYSTEMS REVIEW QUESTIONS

3. Does the State provide training when there are:

Yes No N/A

- a. State law changes?
- b. Policy/procedure changes?
- c. Needs identified from review of finished work
(e.g., supervision, quality assurance
review)?
- d. Hardware/software changes?
- e. *Other?

4. Does the State have processes (e.g., back-up training or organizational flexibility) to assure that staff absences will not disrupt operations?

Yes ___ No ___

If yes, describe in the narrative.

VS: (Questions 1-4 _____)

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SYSTEMS REVIEW QUESTIONS

5. *In the opinion of the supervisor or manager, does the training meet the needs of the Collections function? (e.g., are sufficient resources available--training packages, facilities, staff, etc.)

Yes ___ No ___

6. If any of the preceding evaluative questions were answered "No", does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

If Yes, describe in the Narrative Section following these questions.

VS:(Question 6 _____)

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Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
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Question Number	Answers to "If yes, describe" and "Other":
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COLLECTIONS

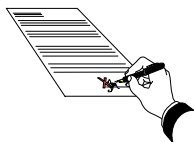
PROGRAM REVIEW

SYSTEMS REVIEW

Recording of Transactions and Events

The Collections function should have procedures and controls to assure that notifications, enforced and/or stayed Collections actions such as lien filing, license revocation, attachments of funds, seizure of assets, successor liability, employer prosecutions, and/or bankruptcy actions are recorded and that the source information is readily available for examination. Whether the State system is manual or automated, an audit trail should lead from the Collections data recorded in the employer account record to the information source upon which the Collection action was based.

The reviewer should become familiar with the various types of Collections actions which require an audit trail leading to the supporting documentation.



In the narrative section following the questions, explain any "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If the State does not maintain source documents or an audit trail, describe how it assures that correct/appropriate Collections actions have been taken.

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SYSTEMS REVIEW QUESTIONS

1. Does the State have methods to assure that enforced and/or stayed collection actions can be traced to their source (e.g., request to take enforced action, letter of appeal, notice of bankruptcy)?

Yes ____ No ____

2. Can the following be identified through the audit trail:

Yes No

 - a. Employer notification(s)?
 - b. Amount(s) included in tax liens?
 - c. Enforced and/or stayed Collections actions?
 - d. Date(s) of Collections actions?

3. Are original and amended information sources, including electronic source documentation, retained and accessible for State use?

Yes ____ No__

VS:(Questions 1 – 3 _____)

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PROGRAM REVIEW

4. If any of the preceding evaluative questions were answered "No", does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

If Yes, describe in the Narrative Section following these questions.

VS:(Question 4 _____)

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SYSTEMS REVIEW NARRATIVE

Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
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Question Number	Answers to "If yes, describe" and "Other":
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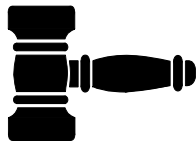
PROGRAM REVIEW

SYSTEMS REVIEW

Execution by Authorized Individuals

The Collections function should have systems procedures or internal controls to assure that determinations for charging/non-charging of penalties, adjustments to receivable amounts, enforced and/or stayed collection actions are taken by authorized individuals.

The reviewer must become familiar with the manner in which authority is restricted and responsibility assigned to Collection staff members.



In the narrative section following the questions, explain any "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If the State does not require authorization for adjustments to accounts and/or initiation of enforced collection actions, and waivers of penalties, etc., describe how it prevents inaccurate/inappropriate actions.

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PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

1. Is authorization restricted to certain designated individuals for: Yes No N/A
- a. Penalty waivers?
- b. Adjustments of amount due?
- c. Enforced collection actions?
- d. Classification to stayed?
- e. Classification to uncollectible?
- f. *Other?.....

VS:(Question 1 _____)

2. If any of the preceding evaluative questions were answered "No", does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

If Yes, describe in the Narrative Section following these questions.

VS:(Question 2 _____)

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Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
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Question Number	Answers to "If yes, describe" and "Other":
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PROGRAM REVIEW

Systems to Assure Execution of Events

For Collections, controls should be in place to assure that cases are assigned and worked according to State priorities and procedures, liens are filed timely and accurately, other enforced collections actions are taken properly, stayed collection actions are handled correctly, and cases meeting appropriate criteria are declared uncollectible.

The reviewer must determine if such program management systems have been built into the Collections operation, and become familiar with automated and/or manual controls which assure collection actions are properly taken.



In the narrative section following the questions, explain any "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If the State does not have internal controls or safeguards, describe how it assures the appropriateness of collection actions.

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PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

1. Does the State have systems procedures for:

Yes No

- a. Tracking case assignments?
- b. Controlling lien filing dates?
- c. Monitoring collection activity, i.e.,
identifying cases with minimal/no activity?
- d. Controlling installment payment plans?
- e. Ensuring that collection results (i.e.,
adjustments, changes, etc.) are posted
properly to the employers account file?

VS:(Question 1 _____)

2. If procedures are automated, is a systems check performed every time a program is changed?

Yes ___ No ___ N/A___

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PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

3. Are Bankruptcy cases controlled to assure:

Yes No

- a. Claims are filed accurately and timely?.....
- b. Are those employers continuing in business
monitored to ensure payments are made timely?.....
- c. Unpaid cases are reassigned for appropriate
collection action upon bankruptcy closing?

VS:(Question 3 _____)

4. If any of the preceding evaluative questions were answered "No", does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

If Yes, describe in the Narrative Section following these questions.

VS: (Question 4 _____)

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SYSTEMS REVIEW NARRATIVE

Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
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Question Number	Answers to "If yes, describe" and "Other":
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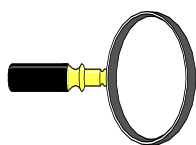
PROGRAM REVIEW

SYSTEMS REVIEW

Review of Completed Work

For the Collections function, the State should be conducting systematic review of collections cases. The information received and the action taken should be checked against the information recorded in the employer's account. A review of completed work should be done on a regular basis for all staff members involved in the collections operations. This review may be done on an individual basis for each staff member, or by sampling work done throughout the entire unit. The following questions are designed to determine how these reviews are conducted.

The reviewer must become familiar with the kind of review program the State uses to assess the work performed by the Collections function.



In the narrative section following the questions, explain any "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there is no supervisory and/or quality assurance review, describe how quality is assured in the Collections unit.

For staff members involved in the Collections process, are the following components subject to some form of systematic review. For Yes answers, enter a "Y" in the appropriate column(s). For Yes answers, also enter "Y" in column 6. If there are no reviews, answer "N" for No in column 6. Column 6 is the only evaluative question.

Component	Type of review					
	*1 Supv	*2 Peer	*3 QR (QualRev)	*4 Support (Clerical)	*5 Other	6 Review Conducted
a. That the employer is being contacted timely?						
b. That a history of collection activities is being maintained?						
c. That State collection enforcement tools are being appropriately utilized?						
d. That liens and enforced collection actions are filed properly against the correct ownership structure (i.e., sole proprietor, partnership, corporation)?						
e. That specific requests (e.g., the filing of liens, employer account updates, written requests for collection assistance, etc.) are acted upon timely?						
f. When the debt is satisfied, there is a review to ensure the release of the enforced collection action?						

VS: (Question 6)

* Informational

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PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

7. If any of the preceding evaluative questions are answered "No" does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

VS: (Question 7 _____)

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Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
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Question Number	Answers to "If yes, describe" and "Other":
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SYSTEMS REVIEW QUESTIONS

ADDITIONAL CONTROLS

1. *Does the State have internal controls or quality assurance systems in the Collections function that this review failed to identify?

Yes ___ No ___

If yes, describe below:

2. Are there any exemplary practices for the Collections function?

Yes ___ No ___

If yes, describe below:

ACCEPTANCE SAMPLES

COLLECTIONS

PROGRAM REVIEW

ACCEPTANCE SAMPLE INSTRUCTIONS

Purpose/Intent

To assure that Accounts Receivable are being managed in accordance with State's established procedures.

Scope

The scope of the review will focus on collection cases of \$100.00 or more which are more than 30 days old. Day 1 of the 30 day count can begin the day after the account receivable was established. **Do not include accounts declared legally uncollectible.**

Universe

The universe for the Collections Acceptance Sample will include:

1. Accounts that have been established for at least 30 days. (See Note above.)
2. All accounts with \$100.00 or more in unpaid UI tax (or the State's established benchmark figure, if higher). This universe should be identified between February 1 and June 30.
3. Select 60 cases, or if universe is small, select the number of cases based on Table in Appendix A-III

Timing/Frequency

The sample will be selected once per calendar year.

The population should be identified any day in the period between February 1 and June 30 (a single snapshot of the day selected).

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ACCEPTANCE SAMPLE INSTRUCTIONS

Sampling Procedures

The following steps must be taken to establish the universe and to select the sample accounts:

1. Identify the universe of all employer account receivables over 30 days old with tax due in the amount of 100.00 or more (or the State's established benchmark, if higher). Rounding up or down is permitted. The debt (or a portion) should have been created in the past two calendar years or less. This universe should be identified between February 1 and June 30.
2. In order to give the State time to follow its collections procedures, select the sample of 60 cases six months after identifying the universe.
3. Any case that was a part of the previous years' sample, whether passed or failed, must be replaced for the current review. However, if new debt had been created since the previous year's snapshot date, the case can remain in the sample.
4. The review should be completed no later than March 31 of the following year.

If the system is automated, the Reviewer must work closely with the ADP unit to ensure a concise understanding of what, when and how the samples should be selected.

Appendix A describes what action needs to be taken for sampling in both manual and automated systems.

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ACCEPTANCE SAMPLE INSTRUCTIONS

Reviewing Samples

Assemble the following information from the employer's account:

1. All information the State has in its possession relating to the collection history of the selected account including copies of liens, enforced collection action and other supporting documents.
2. The employer account information on the State's computer files.

Review actions taken with the preceding 2 calendar years plus current year only.

Review timeliness of contacts for most recent quarter of liability only. The "most recent quarter" is the most recent quarter of liability preceding the "snapshot date" (any day between February 1 and June 30 of the year under review).

If multiple receivables have been established during the preceding 2 calendar years and current year time frame; review actions taken and resolutions applied towards the most recently established receivables. (Up to a maximum of the ten most recently established receivables are to be reviewed.)

When full payment is received, further review of collection action may be necessary to see if any enforced collection action was properly released.

Uncollectible accounts will be reviewed up to the point they are declared uncollectible, and to determine if they are properly written off.

Accounts in bankruptcy status will be reviewed up to the point where a claim is filed in bankruptcy court, unless the bankruptcy already been discharged or closed. (Question #8)

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ACCEPTANCE SAMPLE INSTRUCTIONS

Drawing Conclusions

Using this information, answer the questions on the Acceptance Sample Questionnaire.

The following questions are evaluative:

- #1. Is the account correctly classified.
- #2. Were successor liability procedures followed.
- #3. Were initial written notices sent timely.
- #4. Was the employer contacted other than through initial written notice.
- #5. Was an assessment filed properly.
- #5a. If yes, was the employer properly notified.
- #6. Was a lien(s) filed properly.
- #6a. If yes, was the employer properly notified
- #7. Were other actions taken properly.
- #8. Was a proof of claim filed timely if employer was in bankruptcy.
- #10. Was enforced collection action properly released.

A "NO" answer to any evaluative question must result in failure of the sampled case.

The following questions are non-evaluative:

- #4a. Was telephone contact made after written notice was mailed.
- #4b. Was the employer contacted in person.
- #4c. Was the employer contacted by mail.
- #4d. Other contacts.
- #9. Were any payments received.

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PROGRAM REVIEW

ACCEPTANCE SAMPLE INSTRUCTIONS

Drawing Conclusions
cont

A "NO" answer to any evaluative question for a collection sample case will mean that the State's rules and procedures were not followed, and the case will not be considered acceptable.

If the completed review of 60 Acceptance Sample cases includes three or more unacceptable cases, then the reviewer must conclude that employer accounts receivables are not being managed in accordance with State's established procedures.

For each unacceptable case, the reviewer must provide an explanation on the Acceptance Sample Explanation Sheet.

Questions that can be answered INA require attention. See "NOTE".

Documentation

All source documentation gathered to review samples must be kept until the completion and Regional Office approval of the Annual Report. Either hard copy documentation or (in some highly automated systems) the ability to recreate the identical information used in the review must be maintained.

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PROGRAM REVIEW

ACCEPTANCE SAMPLE INSTRUCTIONS

NOTE: States provide a full range of collection techniques to be used by State staff "as appropriate", and it may be difficult for a reviewer to determine whether the staff made the correct judgment about which technique to use. In addition, actions necessary to collect vary with the amount of indebtedness and the willingness/ability of the debtors to pay. The reviewer must recognize the discretion that is given to professional staff in making decisions on the appropriate tool to use. The reviewer should give the benefit of the doubt to the decision made unless the record is clear that the decision is in violation of the State's procedures. If the case warranted an enforced action and one was taken within the State's guidelines, then the objective of the question is satisfied and the reviewer should answer "yes" to the question.

The reviewer will need to exercise care in answering Acceptance Sample questions N/A. The State's established written procedures are the primary control in determining whether the case fails or passes the review. The case is to be reviewed against State collection procedures through the point where money is received.

If for example a payment was received after only one phone call and no enforced collection action was necessary, the subsequent Acceptance Sample question dealing with assessment, liens, enforced actions and bankruptcy can be answered N/A. However, if State procedures call for a certain action to take place after a specific number of days regardless if payment is made, the reviewer must determine if this procedure was followed.

There may be situations where the documentation is not clear cut enough to warrant a "Yes" answer. It is the responsibility of the reviewer when answering questions "INA" to make a determination if that action did occur based on circumstantial facts or evidence. If such evidence does not convince the reviewer the answer should be "No".

If the Account Receivable, identified in the universe, was set up in error and was subsequently determined not to be an accounts receivable, the reviewer should answer question # 1 "No" and not answer the rest of the questions. (The A/S case would fail.) **However**, if at the time of the review, the Account Receivable which was set up in error had been determined not to be a receivable, and the error was corrected due to the State's own controls in finding the error and not due to the employer bringing it to their attention, the case should not fail, and Question 1 would be answered "Yes".

COLLECTIONS

PROGRAM REVIEW

ACCEPTANCE SAMPLE QUESTIONNAIRE

Identification

1. At the time of review was the account correctly classified (e.g., "collectible", "uncollectible", "liquidated" or in "bankruptcy status")?

Yes ___ No ___

2. If there was a successor, were successor liability procedures followed?

Yes ___ No ___ N/A ___

Notification

3. Were initial written notice(s) and follow up notices sent timely for the most recent quarter of liability?

Yes ___ No ___ N/A ___ INA ___

4. Was the employer contacted other than through the "initial written notice" for the most recent quarter of liability?

Yes ___ No ___ N/A ___

If yes :

Yes No N/A INA

- a. Were telephone contact(s) made?
- b. Was the employer contacted in person?

**ET HANDBOOK NO. 407
TAX PERFORMANCE SYSTEM**

CHAPTER SIX

COLLECTIONS

PROGRAM REVIEW

ACCEPTANCE SAMPLE QUESTIONNAIRE

Notification cont.

- | | |
|--|--|
| | <u>Yes</u> <u>No</u> <u>N/A</u> <u>INA</u> |
| c. Was the employer contacted by mail? | |
| d. Other contact(s)? If yes, describe
on sample explanation sheet. | |

Actions Taken

- | | |
|---|------------------------|
| 5. Was an assessment(s) filed properly? | Yes ___ No ___ N/A ___ |
| a. If filed, was the employer properly notified? | Yes ___ No ___ N/A ___ |
| 6. Was a lien filed properly? | Yes ___ No ___ N/A ___ |
| a. If filed, was the employer properly notified? | Yes ___ No ___ N/A ___ |
| 7. Were any other enforcement actions taken properly? | Yes ___ No ___ N/A ___ |
| 8. If the employer has filed a petition for bankruptcy, were
appropriate actions taken to file a claim? | Yes ___ No ___ N/A ___ |

Resolution

- | | |
|---|------------------------|
| 9. Did the State receive any payments for the receivables or adjustments to
the receivables under review? | Yes ___ No ___ |
| 10. If enforced collection action (including, but not limited to tax liens)
was initiated, was that properly released in accordance with State
policy and procedures? | Yes ___ No ___ N/A ___ |

Collections Sampling Coding Sheet

Reviewer: _____

[illegible]

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TAX PERFORMANCE SYSTEM
Collections - Sample Explanation Sheet

State: _____ *Period Covered:* _____ *Date:* _____ *Reviewer:* _____

<i>Sample Type:</i>	<i>Acceptance</i>	<i>Expanded</i>
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[illegible]

